

# **IRS Collection Process: What are your options?**

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**Small Business/Self-Employed Division  
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# **American Reinvestment and Recovery Act: COBRA Premium Assistance**

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**Collection Policy, Employment Tax**



## COBRA Subsidy

- ARRA
- Continued health insurance coverage
- Eligibility
- Documenting credit
- Effective February 17, 2009, for last month of first quarter 2009 (not retroactive)



## 941 Changes

- Addition of line 12a, COBRA Premium Assistance Payments
- Addition of line 12b, Number of individuals provided COBRA Premium Assistance reported on line 12a
- Revised 941X to include lines 12a and 12b

**Note:** Forms 943 and 944 will be revised for 2009



## **Credit vs. Deposits**

- COBRA credit posted as FTD on the first day of the quarter
- Necessary adjustments to FTDs required for quarterly liability
- Credits and Offsets
  - May be delayed where credit/offset will satisfy module
  - Expedite exam review
  - Reviewed and cleared credits will be posted timely



## **Resources**

- IRS.gov, Search keyword Cobra
- IRS.gov, Search keyword Notice 2009-27 Cobra benefits
- COBRA video at Tax.gov/sbv\_cobra/
- DOL.gov, Search keyword Cobra



# **Partial Payment Installment Agreements**

**Clinton H. Russell, Program Manager**



## **Background**

- Congressional authorization of partial payment installment agreements
- IRS official start date of PPIA arrangements
- Legislation enacted to correct weakness in tax law



## **Background (Continued)**

- Provided option to pay tax liabilities rather than extending 10 year statute
- Limited payment options created hardships for some taxpayers prior to PPIAs
- Not intended to create new method for resolving tax liabilities
- Visit [IRS.gov](https://www.irs.gov), search key word: PPIA



## **PPIA Determination**

- Type of installment agreement
- Not independent resolution option
- Granted as the best option for IA that will not satisfy liability before collection statute expires
- Taxpayers can not apply for a PPIA
- Determination made to grant PPIA



## **PPIA Terms**

- Installment payments made over length of time remaining on collection statute
- Liability remains on account
- Notice of Federal Tax Lien remains in place until collection statute expires
- Equity in assets must be addressed according to legislation



## **PPIA Terms (Continued)**

- Good faith effort must be made to utilize the equity in assets to make payment
- May be granted if taxpayer does not sell or cannot borrow against asset equity
- IRS may revise or terminate IA if taxpayer's financial situation changes



## Financial Review

- Required every two years
- Internal data used to streamline review when possible
- Systemic streamlined review used for majority of PPIAs
- Taxpayer may not have to be contacted
- Written request for financial information sent to taxpayer when internal data sources are not available



## PPIA vs. OIC

OIC	PPIA
Balances due are removed from taxpayer's account	Balances due remain on account until the CSED expires
NFTL is released due to account being considered full paid	NFTL is filed and remains in place until CSED expires
Payment equivalent to the equity in assets must be made	Equity in assets must be considered but PPIA may be granted without equity being utilized
IRS cannot seek collection from future increases in ability to pay	Changes in ability to pay can result in revision or termination of PPIA



# **Form 1099-OID Original Issue Discount Refund Scheme**

**Clinton H. Russell, Program Manager**



# **Form 1099-OID Refund Scheme Theory**

- Theory behind the promotion
- Commercial redemption or straw man theories





## **Characteristics**

- Forms 1099 withholding
- Form 1040 series tax return withholding
- Form 1120 taxable income equal to backup withholding credit
- Excessive amounts claimed on Form 1041 and/or on Form 2439 attached to Form 1041



## **Characteristics (Continued)**

- Unrealistically high withholding amounts reported
- Documents lack support of withholding credit
- Government or local official named as fiduciary/trustee on Form 56



## **IRS Actions**

- Preventing Form 1099-OID Refund Scheme program payouts
- Internal Revenue Code § 6702(a)



## **How you can help**

- Confirm questionable withholding amounts reported with clients
- Complete Form 3949-A, Information Referral



## **Offer in Compromise**

**Gloria Orozco,  
National OIC Program Manager**



## **Offer in Compromise**

- What is an OIC?
- Who qualifies?



## **Objectives of OIC**

- Achieve resolution for taxpayer and government
- Provide fresh start with future compliance
- Collect at earliest time for least cost
- Secure revenue that may not be collected



## **Basis for an OIC**

- Doubt as to collectibility
- Doubt as to liability
- Effective tax administration (ETA)



## **Keys to Success**

- Explore all options before filing
- Complete all forms properly and timely
- Complete processability checklist
- Fulfill filing & paying requirements
- Submit all fees and required payments
- Respond timely



## **Recent Changes**

- Revised Forms
  - Form 656-B, Offer in Compromise Booklet
  - Form 656, Offer in Compromise
- New procedures
  - Additional review of real property valuations
  - Prevention of accepted OIC defaults



## OIC Program Results

FY 2008 receipts: 43, 989

FY 2009 receipts: +14%

FY 2008 Dispositions:	Total	%
Non processable returns:	4,706	10%
Acceptances:	10,677	23%
Rejections:	11,608	25%
Returns:	13,329	29%

### Cycle Time:

COIC- 92% six months or less

Field- 72% nine months or less



## OIC Resources

- Form 656-B, Offer in Compromise Booklet
- IRS.gov, Search keyword Offer in Compromise

